

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 AGR-05 OMB-01 TRSE-00

AID-05 SIL-01 LAB-04 SP-02 SS-15 NSC-05 L-02 H-02

CIAE-00 INR-07 NSAE-00 STR-01 OPIC-03 IGA-01 PA-01

PRS-01 USIA-06 /080 W

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R 212144Z MAR 75

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 9542

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMCONSUL GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

C O N F I D E N T I A L TEGUCIGALPA 1099

E.O. 11652: GDS

TAGS: EAGR, HO

SUBJECT: STANDARD FRUIT DISCUSSIONS WITH HONDURAS

REF: TEGUCIGALPA 0955

SUMMARY: STANDARD FRUIT REGIONAL MANAGER, HOMER EATON, AND HONDURAN MANAGER MICHAEL ROTOLO, CALLED ON THE EMBASSY MARCH 20. THEY MADE PRESENTATION TO AMBASSADOR FOLLOWED BY DISCUSSION WITH AID DIRECTOR AND ECOM OFFICER. STANDARD DISENGAGING FROM ISLETA AREA OPERATIONS. TWO DISCUSSIONS WITH HONDURAN BANANA COMMISSION DURING PAST WEEK HAVE SET NON-CONTENTIOUS BUT HAD AND NON-INNOVATIVE PATTERN. NO ACTION REQUESTED. END SUMMARY.

1. STANDARD PROCEEDING WITH CUTBACK OF HONDURAN BANANA PRODUCTION IN ISLETA AREA. IN ADDITION TO 600 WORKERS
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ALREADY RELEASED AND MOSTLY PAID OFF, ANOTHER 800 WILL BE

RELEASED ON APRIL 5. LACK OF OUTPUT FROM ISLETA WILL REQUIRE CUTBACK IN OTHER SUPPORT PERSONNEL IN PACKING HOUSES, RAILROAD, AND PIER OPERATIONS. TOTAL REDUCTION IN LABOR FORCE EXPECTED TO REACH APPROXIMATELY 2000 OF PRESENT TOTAL OF OVER 5000 EMPLOYEES. APRIL 5 DATE OF RELEASE OF WORKERS REPRESENTS ONE WEEK DELAY REQUESTED BY GOH TO AVOID FIRINGS DURING HOLY WEEK.

2. STANDARD, WHICH HAD BEEN REMOVING NONFIXED EQUIPMENT FROM ISLETA AGREED WITH GOH TO SUSPEND THIS ACTIVITY FOR SEVERAL WEEKS.

3. IN MEETING MARCH 20 WITH BANANA COMMISSION, GOH PRESENTED FINAL POSITION THAT IT WAS UNWILLING TO FINANCE ISLETA JOINT VENTURE REHABILITATION DUE TO PROBABLE LOW OR NEGATIVE RETURNS. GOVERNMENT COMMISSION REQUESTED STANDARD TO INFORM THEM IN WRITING THAT THEY INTEND TO CEASE BANANA OPERATIONS IN ISLETA. STANDARD REPS INDICATED THEY WOULD DO THIS MARCH 21. THEN GOH COMMISSION INFORMED STANDARD THEY INTENDED TO EXPROPRIATE STANDARD HOLDINGS IN ISLETA AREA AMOUNTING TO 41,000 ACRES UNDER AGRARIAN REFORM LAW DECREE 170. STANDARD HAD BEEN ACTUALLY UTILIZING 5000 ACRES FOR BANANA PRODUCTION AND 2000 ACRES FOR BAMBOO UTILIZED IN GENERAL CONSTRUCTION. SOME ADDITIONAL ACREAGE ALSO DEVOTED TO INFRASTRUCTURE SUCH AS RAILROAD RIGHT OF WAY, ROADS, ETC. NEGOTIATIONS BETWEEN STANDARD AND GOH CONCERNING EXPROPRIATION WILL COMMENCE AT SOME INDEFINITE FUTURE DATE.

4. THE PATTERN OF STANDARD INTERESTS INDICATE APPROXIMATELY 8000 ACRES REMAINING IN BANANAS, INDEPENDENT AND COOPERATIVE PRODUCTION UNDER CONTRACT OF 3500 ACRES IN BANANAS. ITS TOTAL ACREAGE (WITHOUT SUBTRACTING THE 41,000 ACRES IN THE ISLETA REGION) IS APPROXIMATELY 150,000 ACRES. A SIGNIFICANT PORTION OF THE TOTAL ACRES IS NOT ARABLE. SEVERAL THOUSAND ACRES ARE DEVOTED TO PINEAPPLE, CITRUS, AND EXPERIMENTAL USES.

5. STANDARD HAS COMPLETED ITS REHABILITATION PROGRAM IN THE REMAINING BANANA PRODUCING AREAS. THIS PROGRAM REPRESENTS AN INVESTMENT OF APPROXIMATELY \$6MILLION.

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6. ACCORDING TO STANDARD, CONVERSATIONS WITH THE BANANA COMMISSION HAVE BEEN BUSINESSLIKE WITH NO DISPLAYS OF TEMPER. WHILE IT IS APPARENT THAT SOME GOH ACTIONS ON LABOR RESPONSIBILITIES OF THE COMPANY AND POSSIBLE EXPROPRIATION OF THE 41,000 AREAS ARE NOT FAVORABLE, THE MEETINGS HAVE BEEN CONDUCTED WITHOUT RECRIMINATIONS OR RANCOR.

7. PAYMENT OF TERMINAL WAGES HAS PROCEEDED WITH SOME

AGITATION ON PART OF UNION. UNION ADVISED WORKERS NOT TO ACCEPT TERMINAL PAYMENTS BUT WORKERS NONETHELESS ARE COLLECTING. AVERAGE AMOUNT, ACCORDING TO COMPANY, OF NET PAYMENT IS APPROXIMATELY LEMPIRAS 2,000 (\$1,000). COMPANY STATES THAT MANY WORKERS WHO ARE REFUSING PAYMENT ARE DUE ONLY MUCH SMALLER AMOUNTS AND SMALL GROUPS OF WORKERS ARE STILL STRAGGLING IN. COMPANY BELIEVES THAT THESE CASH PAYMENTS ARE NOT ENTERING THE BANKING SYSTEM.

8. COMMENT: ALTHOUGH COMPANY AND GOH WERE UNABLE TO REACH AGREEMENT ON A JOINT OPERATION, THE STUDY OF THE ECONOMICS WHICH WAS MADE SERVED TO ASSURE THE GOH THAT STANDARD WAS MAKING A BUSINESS RELATED DECISION. A CURRENT OF OPINION NONETHELESS PERSISTS THAT STANDARD WAS MERELY PRESSURING THE GOH TO REMOVE THE BANANA EXPORT SURCHARGE AND THAT THE COMPANY STILL DOES NOT INTEND TO ABANDON ISLETA AREA. PRESENTLY, EMBASSY CAN SEE NO DEVIATION FROM THE COURSE OF ISLETA BEING COMPLETELY CLOSED, WORKERS DISCHARGED, A RIPPLE EFFECT IN STANDARD'S EMPLOYMENT, THE COMMENCEMENT OF NEGOTIATIONS BETWEEN THE COMPANY AND THE GOH TO DETERMINE THE VALUE OF EXPROPRIATED LANDS, AND MEDIUM-TERM CONTINUATION OF STANDARD PRODUCTION OF BANANAS AND OTHER CROPS IN AREAS OTHER THAN ISLETA. LONGER TERM, THE CONDITIONS INDICATE THE CLOSING OF ISLETA AS ONE OF A SERIES OF PROGRESSIVE RETREATS BY STANDARD TOWARD THE SEA. HOPEFULLY, A GREATER DEGREE OF COMMONALITY AND COOPERATION CAN BE GENERATED BETWEEN THE COMPANY AND GOH RELATIVE TO THE LONGER TERM POSITION OF THE COMPANY AND GOH RELATIVE TO THE LONGER TERM POSITION OF THE COMPANY IN HONDURAS. A DISPASSIONATE PROCEDURE ON ISLETA CLOSING AND EXPROPRIATION COULD BE AN IMPORTANT ELEMENT FOR THE LONG-TERM POSITION OF THE COMPANY.
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